

M e m o r a n d u m

To: Panel Members Date: August 27, 2004

From: Creighton Chan, Manager Analyst: A. Nastari

Subject: PROPOSED AMENDMENT NUMBER ONE FOR **CASA SANCHEZ FOODS <100**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Moving To A High Performance Workplace
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing Food Products
- Repeat Contractor: Yes
- Contractor's Full-Time Employees:
 - *Worldwide:* 44
 - *In California:* 44
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs:
 - Present Program Costs:** \$25,000
 - Amendment Program Costs +:** \$16,000
 - Total Program Costs:** \$41,000
- Substantial Contribution:
 - Present Contract Contribution:** \$0

Amendment Contribution +: \$0

Total Contributions: \$0

- Total ETP Funding: \$41,000
- In-kind Contribution:

➤ *Total Contribution*

Present Contract: \$20,225

Amendment: \$29,625

➤ *Trainee Wages Paid During Training*

Present Contract: \$20,225

Amendment: \$9,400

➤ *Other Contributions:*

Present Contract: \$0

Amendment: \$0

- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Francisco, San Mateo

INTRODUCTION:

Casa Sanchez Foods is a family-owned business that started out as San Francisco's first mechanized tortilla factory in 1924. Casa Sanchez Foods (44 full-time California employees) has since created another company, Casa Sanchez (8 full-time California employees.) Each company has its own tax reporting numbers, is self-managed, has its own production facility and distribution area, and produces its own products which are sold under the Casa Sanchez brand. This project includes the training of employees at both companies.

Casa Sanchez Foods is a manufacturer and distributor of food products such as fresh salsa, tortilla chips, guacamole, Kim Chi and Mexican cookies. The company's employees work at its corporate headquarters and manufacturing facilities located in San Francisco and Daly City, California. The participating employer, Casa Sanchez, manufactures fresh salsa and guacamole at its San Francisco facility.

The Agreement for Casa Sanchez Foods was approved by the Panel on September 25, 2003, to assist these small businesses in their move to a high-performance workplace. This month, the Contractor is requesting to amend its contract by increasing the existing maximum training hours from 65 hours to a maximum of 130 hours. This request, based on the Contractor's recent acquisition of Costco as a client, requires Casa Sanchez Foods to change its current production processes and implement new manufacturing equipment and best practices in order to meet its new customer's expectations. In order to assist this small business to meet its immediate training needs, the existing Job 1 must be deleted and a new Job 2 must be created in order to allow for the continuation of training for its 25 trainees.

MEETING ETP GOALS AND OBJECTIVES:

Casa Sanchez Foods proposes training that will further the following ETP goals and objectives:

- 1) This training is targeted at assisting the company in its move to a high performance workplace, which meets ETP's legislative funding priority to support companies moving to a high performance workplace.
- 2) The proposed training is also targeted at assisting the company in promoting its manufacturing workforce which also meets ETP's legislative funding priority.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/ Lab VideoCnf. Hrs	No. CBT Hrs.	No. SOST Hrs.	Cost Per Trainee	Hourly Wage Ater 90 Days
Job Number 1 Retrainees (Deleted)	Menu Curriculum: Business Skills Computer Skills Continuous Improvement Skills Manufacturing Skills (Deleted)	25 (Deleted)	24–65 (Deleted)	0	0	\$1,000 (Deleted)	*\$11.98 - \$21.87 (Deleted)
					<u>Prevalent Hourly Wage</u> \$12.16 (Deleted)		
					<u>Average Cost Per Trainee</u> \$1,000 (Deleted)		
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> * Health benefits of at least \$3.71 per hour will be applied to the base wage in order to meet the ETP minimum wage of \$11.98 per hour for San Francisco and San Mateo Counties. (Deleted)					<u>Turnover Rate</u> 20% (Deleted)		<u>% Of Mgrs & Supervisors To Be Trained:</u> 16% (Deleted)
<u>Other Employee Benefits:</u> Paid vacation and sick leave. (Deleted)							

TRAINING PLAN TABLE FOR THE NEWLY CREATED JOB 2:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/ Lab Video Cnf. Hrs	No. CBT Hrs.	No. SOST Hrs.	Cost Per Trainee	Hourly Wage Ater 90 Days
Job Number 2 Retrainees	Menu Curriculum: Business Skills Computer Skills Continuous Improvement Skills Manufacturing Skills	25	24–130	0	0	\$1,640	*\$11.98 - \$21.87
					<u>Prevalent Hourly Wage</u> \$12.16		
					<u>Average Cost Per Trainee</u> \$1,640		
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> * Health benefits of at least \$3.71 per hour will be applied to the base wage in order to meet the ETP minimum wage of \$11.98 for San Francisco and San Mateo Counties.					<u>Turnover Rate</u> 20%		<u>% Of Mgrs & Supervisors To Be Trained:</u> 16%
<u>Other Employee Benefits:</u> Paid vacation and sick leave.							

COMMENTS / ISSUES:

➤ *Frontline Workers*

Of the 25 participants in this project, 21 meet the Panel definition of frontline workers under Title 22, California Code of Regulations, Section 4400(ee). The remaining four employees (16 percent) are managers and supervisors.

➤ *Production During Training*

Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Amendment if funding is available and the project meets the Panel priorities.

NARRATIVE:

Following its recent acquisition of Costco as a new client, Casa Sanchez Foods has had to reassess the capabilities of existing production processes and equipment. Since this is the first time this small company had acquired such a large contract, the employer sought the services from a vendor who specializes in assessing manufacturing processes. After a thorough review, the Contractor found that it would have to make changes to its processes and would need new manufacturing machines that would produce the volume required by the client. In order to address these production issues, Casa Sanchez Foods: 1) must expand its continuous improvement training to include training in World Class Manufacturing Processes, and 2) has purchased two new machines that will aid in the production and packaging of its products.

At the time that the Agreement was developed, Casa Sanchez Foods had determined that 65 hours would be sufficient time in which to deliver its training plan. The training has progressed at an accelerated rate for 12 of the company's production workers who have reached the maximum 65 hours of training. It was essential for the company to deliver this accelerated training because Casa Sanchez Foods needed to implement new manufacturing and continuous improvement processes immediately, since food production is the livelihood of this company. The training for the remaining 13 employees, who are in management, sales and administration, continues to rollout as planned. Therefore, out of the 25 trainees in this Agreement, 48 percent have completed the maximum number of hours currently allowable. Casa Sanchez Food's new business development, however, requires these same 12 production workers to receive an additional 65 hours of training in new continuous improvement skills (World

NARRATIVE: (continued)

Class Manufacturing Processes) and the new manufacturing skills required to operate the new production and packaging machines. The proposed Amendment will increase the contract amount by \$16,000 from \$25,000 to \$41,000.

There is sufficient time remaining in the Agreement for the trainees to complete the originally planned and newly proposed hours. Training for those individuals not affected by the Amendment is ongoing as scheduled.

It is staff's opinion that this Amendment supports the original intent of the employer to move to a high performance workplace and will assist in the retention of the Contractor's workforce.

Supplemental Nature of Training

Panel Legislation requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs. The Contractor reports that since its first ETP-funded training, it has continued to provide training in its basic manufacturing processes as well as safety training which are mostly provided by Casa Sanchez Foods' staff. The training in this Agreement builds upon the basic ETP-funded training delivered in literacy, manufacturing, computer, and business skills.

The additional training in manufacturing skills will be on new equipment in order for Casa Sanchez Foods to remain competitive and will assist the company in its expansion of business initiatives to provide secure jobs for its workforce. These new skills are supplemental in nature in that the introduction of new technologies and attendant best practices has rendered many of the trainees' prior job responsibilities obsolete. All instruction will be delivered for the first time by an outside trainer well-versed in these skills; none of the purchase orders for the new equipment included the provision of training by its manufacturer.

ACTIVE PROJECTS:

The following are current project statistics:

ACTIVE PROJECTS						
Agreement Number	Agreement Amount	Term	Planned Number To Be Retained	Number Enrolled	Number Completed Training	Number Retained For 90 Days
ET04-0466	\$25,000	10/06/03 – 10/05/05	25 *	24	12	0

* The Contractor reports that it anticipates it will complete the training hours in this proposal for all of its 25 trainees.

Casa Sanchez Foods

CURRICULUM

Trainees will receive any of the following:

Hours

Class/lab

24 – 65

(Job 1)

Courses

24-130

(Job 2)

MANUFACTURING SKILLS

-Quality Production Operations

Using Hand Tools and Machines to Produce Salsa,
Guacamole and Tortilla Chips
Following Quality Assurance Standards

New Machine Operations

-Manufacturing Processes

World Class Manufacturing Practices

Cross-Training In Different Production Areas

-Production Documents

Developing Written Procedures

Understanding and Using Company Performance Criteria

CONTINUOUS IMPROVEMENT SKILLS

-Process Development

Developing and Using Process Documents
Applying Problem Solving Tools
Using Measurement Charts for Managing Performance
Improvements

-Teambuilding

Improving Communication and Team Interaction
Developing Better Conflict Resolution

-Project Management

Strategic Planning
Setting-Up Evaluations
Monitoring

-Training and Coaching Procedures

Demonstrating Leadership
Organizing Materials
Listening and Giving Feedback

BUSINESS SKILLS

-Customer Service

Managing Customer Expectation And Dissatisfaction
Identifying Both Internal And External Customer Needs
Increasing Product Knowledge (Enhanced)

Casa Sanchez Foods

CURRICULUM (continued)

- Business Performance
 - Expanding Marketing Opportunities
 - Developing Better Accounting and Payroll System
 - Merchandising More Effectively

COMPUTER SKILLS

- Using Software and Hardware Applications
- Developing and Using a Manufacturing Resource Planning (MRP) System to connect company's different operations